

## Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 AGR-20 AF-10 ARA-16 EA-11 NEA-10 RSC-01

SPC-03 AID-20 EB-11 NSC-10 CIEP-02 TRSE-00 SS-15

STR-08 OMB-01 CEA-02 CIAE-00 COME-00 FRB-02 INR-10

NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01 INT-08 TAR-02

L-03 H-03 PA-03 PRS-01 USIA-15 DODE-00 OIC-04 DRC-01

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TO SECSTATE WASHDC 735

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E.O. 11652: N/A

TAGS: EFIN, OECD

SUBJECT: XCSS EXPERTS GROUP

1. SUMMARY. MISSION OFFICERS MET WITH ABRAMOWSKI (SECRETARIAT) AT HIS REQUEST SEPT 27 TO DISCUSS CURRENT STATUS SECRETARIAT PREPARATIONS FOR XCSS EXPERTS MEETING NOW SCHEDULED FOR OCT 17-18, 1973. ABRAMOWSKI OUTLINED CURRENT SECRETARIAT THINKING ON TOPICS FOR THAT MEETING AND ON AGENDA FOR XCSS NOV 8-9. SECRETARIAT EXPECTS TO DISTRIBUTE PAPER FOR EXPERTS MEETING ABOUT OCT 1. PAPER WILL COVER FOUR MAJOR AREAS NATIONAL TREATMENT, TAKEOVERS, DISTORTIONS, AND MNC GUIDELINES. END OF SUMMARY.

2. XCSS NOVEMBER AGENDA IS EXPECTED TO INCLUDE (1) INTERNATIONAL PAYMENTS SITUATION: LIMITED DISCUSSION; (2) TRADE: TOKYO MEETINGS AMONG EBERLE, POINCILIT AND OTHERS CONFIRMED TO SECRETARIAT THAT THIS ITEM STILL DESIRED, ESPECIALLY REGARDING SAFEGUARDS; (3) AGRICULTURE: ABRAMOWSKI ASKED IF

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PAPER WOULD BE FORTHCOMING FROM US AS FOLLOW-UP TO EARLIER

PROPOSAL BY US ON THIS, NOTING THAT EBERLE HAD NOT MENTIONED SUCH A PAPER IN HIS LAST MEETINGS WITH POINCILIT; (4) INVESTMENT ISSUES: ABRAMOWSKI BELIEVED THAT INVESTMENT ISSUE MIGHT BECOME MAJOR ITEM ON AGENDA AS OTHER ISSUES SEEM LESS CAPABLE OF TREATMENT AT PRESENT TIME.

3. XCSS EXPERTS: PAPER BEING DRAFTED BY SECRETARIAT FOR XCSS EXPERTS MEETING WILL CENTER ON FOUR MAJOR ISSUES (LEAVING FOR LATER POSSIBLE DISCUSSION OF MACROECONOMIC IMPACTS OF CAPITAL MOVEMENTS ON EXTERNAL AND INTERNAL EQUILIBRIUM):

(A) PRINCIPLE OF NATIONAL TREATMENT: SECRETARIAT PLANS TO MAKE PROPOSAL FOR LIBERAL TREATMENT OF THIS ISSUE, GIVING REASONS WHY SUCH APPROACH IS NECESSARY AND LISTING PROBLEMS WHICH WILL HAVE TO BE RESOLVED BEFORE FINAL AGREEMENT CAN BE REACHED. IT HOPES EXPERTS WILL HELP COMPLETE ABOVE LIST AND ASSIST SECRETARIAT IN FINDING LANGUAGE FOR FINAL PROPOSAL, GUIDELINES AND PROCEDURES.

(B) TAKEOVERS: SECRETARIAT WILL SUGGEST THAT PROBLEMS HERE ARE MORE POLITICAL THAN ECONOMIC, NOTING THAT PRESENT CAPITAL CODE DOES NOT DISTINGUISH BETWEEN TAKEOVERS AND OTHER FORMS OF DIRECT INVESTMENT AND SUGGESTING THAT AREA MIGHT BE USEFUL FOR FURTHER INVESTIGATION AND POSSIBLE GUIDELINES.

(C) DISTORTIONS: SECRETARIAT PLANS TO PROPOSE UNDERSTANDING WHEREBY CONSULTATIONS COULD BE REQUESTED BY MEMBER COUNTRIES. IT FEELS STRONGLY THAT DEVELOPMENT OF GUIDELINES IN THIS AREA IS NOT LIKELY TO SEE MUCH PROGRESS IN NEAR FUTURE (REFERRING TO SLOW PROGRESS IN EC ON THIS QUESTION) AND FEELS THAT IMMEDIATE ESTABLISHMENT OF CONSULTATION PROCEDURES WOULD BE QUICKEST WAY TO GET RESULTS. KEY ISSUE IN DISCUSSION WOULD THEN BE EXTENT TO WHICH CONSULTATIONS ON DISTORTION EFFECTS OF INVESTMENT POLICY SHOULD BE LIMITED. ONE EXTREME WOULD LIMIT DISCUSSION TO AIDS, INCENTIVES AND OTHER DISTORTION-PRODUCING TECHNIQUES WHICH ARE AVAILABLE ONLY TO FOREIGN INVESTORS. AT OTHER EXTREME WOULD BE ALL DOMESTIC INVESTMENT POLICIES (INCLUDING REGIONAL) TO EXTENT THAT THEY MAY IMPACT ON TRADE OR CAPITAL MOVEMENTS VIS-A-VIS OTHER COUNTRIES. SECRETARIAT FEELS THAT NUMBER OF COUNTRIES WILL BE STRONGLY OPPOSED TO LATTER APPROACH, LIMITED OFFICIAL USE

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BELIEVING IT MOVES OUTSIDE OF FIELD OF INTERNATIONAL INVESTMENT. ABRAMOWSKI NOTED THAT TRADE COMMITTEE ALREADY HAD MANDATE TO STUDY EFFECT OF INTERNAL POLICIES ON TRADE AND THAT NOT MUCH PROGRESS HAD BEEN MADE. HE FELT THAT DEVELOPMENT OF CONSULTATION PROCEDURES NOW WOULD HELP EVENTUALLY IN DEVELOPMENT OF GUIDELINES BASED ON INFORMATION OBTAINED IN ACTUAL CONSULTATIONS.

(D) GUIDELINES FOR MNC'S: SECRETARIAT FEELING IS THAT MUCH HAD BEEN SAID ON THIS QUESTION, MOST OF WHICH HAS NOT BEEN VERY PRACTICAL. THEREFORE, RATHER THAN MAKING SPECIFIC PROPOSALS TO EXPERTS, SECRETARIAT WILL LIST SOME OF AREAS WHICH IT BELIEVES MIGHT BE INVESTIGATED. THESE INCLUDE (1) SHOULD GUIDELINES BE ONLY FOR FIRMS OR FOR GOVERNMENTS AS WELL; (2) WHAT PRACTICAL DEFINITIONS NEED TO BE DEVELOPED FOR IMPLEMENTING GUIDELINES; (3) QUESTION OF WHO SHOULD AUTHOR GUIDELINES: GOVERNMENT OR BUSINESS COMMUNITY OR BOTH, TOGETHER WITH BIAC, TUAC AND OTHER INDUSTRY ASSOCIATIONS. SECRETARIAT FEELS THAT FOR PRESENT IT IS IMPORTANT TO KEEP THIS QUESTION IN XCSS RATHER THAN GIVE IT TO INDIVIDUAL OECD COMMITTEES. IT ALSO PLANS TO PREPARE REPORT TO COUNCIL WHICH WOULD ATTEMPT TO COORDINATE, TRIM AND CONSOLIDATE ALL WORK IN OECD ON MNC QUESTION: (INDUSTRY, FISCAL, RESTRICTIVE BUSINESS PRACTICES, TECHNOLOGICAL MANPOWER COMMITTEES). ABRAMOWSKI SUGGESTED THAT MAIN OUTCOME OF WORK ON MNC GUIDELINES MIGHT BE PRIMARILY ONE OF EDUCATION, WITH EFFECT ON INTERNATIONAL BUSINESS MANAGERS BEING TO SUPPORT THEM IN THEIR EFFORTS TO ABIDE BY AGREED-UPON STANDARDS CONCERNING THINGS SUCH AS MOVEMENT OF LIQUID FUNDS. THIS WOULD BE ACCOMPLISHED BY DEVELOPING AND PUBLICIZING CERTAIN INTERNATIONAL COMMITMENTS THAT BUSINESS MANAGERS COULD POINT TO AS RATIONALE FOR THEIR ACTIONS.

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4. CONSULTATIONS: REGARDING STRUCTURE OF CONSULTATIONS, SECRETARIAT DOES NOT PLAN TO MAKE DETAILED PROPOSALS AT THIS TIME. THERE EVIDENTLY IS SUBSTANTIAL DIFFERENCE OF OPINION WITHIN SECRETARIAT, SOME WANTING CONSULTATIONS TO BE HELD IN SEPARATE UNITS DEPENDING ON PROBLEMS TO BE DISCUSSED. ABRAMOWSKI, ON OTHER HAND, FEELS THAT TO BE USEFUL CONSULTATIONS SHOULD OCCUR ON MORE GENERAL BASIS AT HIGH LEVEL AND BE RESTRICTED TO PARTIES DIRECTLY INTERESTED. CONSULTATIONS MIGHT INCLUDE REQUESTING COUNTRY, HOST COUNTRY AND POSSIBLE Affected FIRMS OR INDUSTRY ASSOCIATIONS.

5. ABRAMOWSKI FEELS STEPS OUTLINED ABOVE REPRESENT BALANCED APPROACH ON WORK PROGRAM WHICH MEETS TO GREATEST EXTENT POSSIBLE CONFLICTING DESIRES AND GOALS OF DIFFERENT COUNTRIES IN OECD. HE SUGGESTS THAT WHILE SECGEN WILL PREPARE AND SUBMIT PAPER FOR DISCUSSION AT XCSS EXPERTS MEETING, AND WOULD ASK FOR ADVICE FROM EXPERTS, THERE WOULD BE NO NECESSITY FOR CONSENSUS AMONG EXPERTS NOR WOULD SECGEN BE TIED TO RECOMMENDATIONS OF EXPERTS. HE BELIEVES POSSIBILITY FOR LIMITED OFFICIAL USE

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SUBSTANTIVE PROGRESS WOULD BE GREATER IF REPRESENTATIVES ATTENDING EXPERTS MEETING WERE FREE TO MAKE STATEMENTS OR RECOMMENDATIONS WITHOUT FEELING THAT THEY COMMIT THEIR GOVERNMENTS. HE AGREED THAT WORK SCHEDULE OUTLINED FOR XCSS EXPERTS IS QUITE FULL AND MIGHT WELL REQUIRE A NUMBER OF MEETINGS BEFORE FINAL RECOMMENDATIONS WOULD GO TO XCSS. HE ALSO EXPRESSED UNEASINESS OVER POSSIBILITY OF EXCESSIVELY FREQUENT MEETINGS OF XCSS AT WHICH MINIMAL PROGRESS MIGHT OCCUR UNTIL DEVELOPMENTS IN EXPERTS GROUP COME TO GRIPS WITH KEY ISSUES INVOLVED.

6. ABRAMOWSKI AGAIN STRESSED SECRETARIAT'S HOPE THAT EACH COUNTRY WOULD LIMIT ITSELF TO ONE OR POSSIBLY TWO EXPERTS FOR XCSS EXPERTS MEETING, AND THAT THESE EXPERTS SHOULD BE PERSONS IN NATIONAL ADMINISTRATIONS VERY CLOSE TO XCSS PRINCIPALS AND ALREADY FAMILIAR WITH WORK AND DISCUSSIONS IN XCSS ITSELF.

7. COMMENT. MISSION BELIEVES ABRAMOWSKI PLANS REFLECT RATHER ACCURATE GRASP OF PROBLEMS AND OF TACTICS FOR DEALING WITH THEM. PROCEDURES HE OUTLINES PROBABLY OFFER BEST CHANCE OF ACHIEVING PROGRESS ON INVESTMENT ISSUES. OCT 17-18 MEETING OF EXPERTS SHOULD PERMIT XCSS MEETING NOVEMBER TO SEE WORK PROGRAM UNDERTAKEN BY EXPERTS AND TO HEAR ORAL REPORT OF THEIR INITIAL SESSION.

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## Message Attributes

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